

Strong Topline Performance Buoy Earnings Growth

Summary: Presco Plc (PRESCO) recorded an impressive topline performance in 9M:2023 with a revenue growth of 29.83% YoY to NGN76.87bn (vs. NGN59.21bn in 9M:2022). The uptick in revenue was majorly driven by increase in its domestic crude and refined products sales, which contributed c. 99% to total revenue. We attribute this to higher Crude Palm Oil (CPO) prices, owing to the impact of the Naira depreciation during the period. However, the company's gross margin declined marginally to 63.67% (vs. 65.26% in 9M:2022), due to higher cost of sales during the period (+35.78% YoY) fuelled by increased cost of raw materials. Additionally, PRESCO's operating cost spiked significantly (+38.37% YoY) to NGN37.76bn, stemming from increased administrative expenses (+39.07%) and exchange loss (NGN3.89bn) as the inflationary pressure and FX depreciation pushed OPEX higher during the period. Despite this, the company's operating profit improved by 38.36% YoY to NGN37.76bn as the strong topline growth outweighed general OPEX. Thus, PRESCO's Profit after Tax (PAT) grew by 47.79% YoY to NGN31.72bn during the period.

Positive: Return on Assets (ROA) improved to 13.0% from 9.8% in 9M:2022

Negative: Gross margin fell to 63.76% from 65.26% in 9M:2022

Outlook: We anticipate further topline growth for 2023FY (NGN108.40bn), driven by higher CPO prices and the company's increased production capacity to meet the robust demand in the near term. However, rising OPEX may drag the company's profitability and taper bottom-line for the rest of the year.

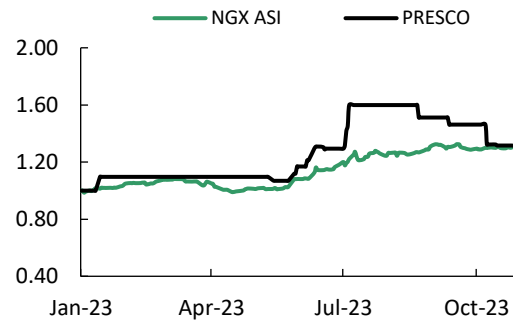
Valuation

Trailing EPS	20.63
BVPS	136.64
P/E	7.74x
P/BV	1.67x
Target PE	9.04x
Dec-2023 Exp. EPS	22.36

Dec 2023 Target price	NGN202.07
Current Price	NGN190.00

Stock Highlights

Yr Hi	220.00
Yr Lo	137.50
YTD return	+38.18%
Beta	0.86
Adjusted Beta	0.91
Shares outstanding	1.00bn
Market cap [NGN]	190.00bn
Financial year end	December



Recommendation: HOLD TP: 202.07 CP: 190.00 UPP: +6.35%

Financial Highlight (NGN'bn)

Profit and Loss Account	9M:2023	9M:2022	Y/Y Growth
Revenue	76.87	59.21	+29.83%
Cost of Sales	27.93	20.57	+35.81%
Operating Expense	21.45	12.93	+65.91%
Operating Profit	37.76	27.29	+38.40%
Finance Cost	6.07	5.97	+1.61%
PBT	31.72	21.31	+48.85%
PAT	23.47	15.88	+47.83%

Balance Sheet	9M:2023	2022A	YTD Growth
Property, Plant and Equipment	97.29	92.65	+5.01%
Total Assets	159.20	132.37	+20.27%
Total Equity	50.83	31.16	+63.13%
Total Debt	59.00	61.44	-4.02%
Total Liabilities	108.37	98.20	+10.35%

Key Metrics

Profitability Ratio	9M:2023	2022A	3-yr Hist. Avg
ROA	12.96%	9.83%	10.21%
ROE	40.58%	31.82%	40.05%
Net Margin	30.54%	16.10%	26.31%

Efficiency Ratio	9M:2023	2022A	3-yr Hist. Avg
Asset Turnover	0.62x	0.61x	0.42x

Liquidity Ratio	9M:2023T	2022A	3-yr Hist. Avg
Current Ratio	1.45x	1.24x	0.91x
Quick Ratio	1.19x	4.45x	3.03x
Cash Ratio	0.47x	0.35x	0.25x

Solvency Ratio	9M:2023T	2022A	3-yr Hist. Avg
Interest Coverage	6.38x	3.33x	6.68x
Debt to Equity	1.16x	0.48x	0.38x
Debt to Asset	0.37x	1.86x	1.47x

Sensitivity Analysis of Dec- 2023 Target Price to key input models

Min	198.94
Max	205.22

EPS

202.07	202.26	202.31	202.36	202.41	202.46
8.94x	198.94	199.39	199.83	200.28	200.73
8.99x	200.05	200.50	200.95	201.40	201.85
9.04x	201.17	201.62	202.07	202.52	202.97
9.09x	202.28	202.73	203.19	203.64	204.10
9.14x	203.39	203.85	204.31	204.76	205.22

Target P/E

Earnings Improve Despite Significant Exchange Loss

Summary: Okomu Oil Palm Plc (**OKOMUOIL**) recorded a stellar topline performance in 9M:2023. The company's revenue grew by 20.86% YoY to NGN60.65bn, on the back of increased domestic sales during the period (+19.23% YoY to NGN55.19bn) which contributed 91.26% total revenue for the period. This significant uptick was primarily driven by higher Crude Palm Oil (CPO) prices following the Naira depreciation during the period. Similarly, revenue from its export business expanded by 40.35% YoY to NGN5.46bn. Meanwhile, **OKOMUOIL** incurred higher cost of sales (+31.67% YoY) and net operating expenses (+39.36% YoY). As expected, the persistent inflationary pressure continued to impact raw materials and operating costs for the Oil Palm players during the period. Thus, the company's gross and operating margins declined to 68.74% and 44.22% respectively (vs 71.28% and 50.02% in 9M:2022).

Also, **OKOMUOIL**'s net finance cost jumped by 302.04% YoY in 9M:2023, due to significant loss on the company's foreign exchange transactions during the period, coupled with higher interest payment on its long-term obligation (+54.16%). Nonetheless, Net Profit came in higher by 15.90% YoY to NGN20.92bn, buoyed by income from Export Expansion Grant (NGN4.37bn) during the period.

Positive: Operating profit Improved to NGN26.82bn (vs. NGN25.16bn in 9M:2022)

Negative: Net Margin fell to 34.50% from 35.97% in 9M:2022

Outlook: For 2023FY, we expect the higher palm oil prices to further drive the company's earnings (+44.24% YoY). However, higher operating cost hinged on the rising inflationary environment poses a downside to our outlook.

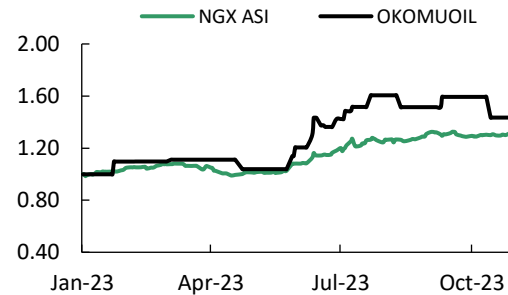
Valuation

Trailing EPS	20.02
BVPS	35.69
P/E	11.83x
P/BV	6.64x
Target PE	13.19x
Dec-2023 Exp. EPS	24.54

Dec 2023 Target price	NGN323.68
Current Price	NGN236.80

Stock Highlights

Yr Hi	265.00
Yr Lo	165.00
YTD return	+43.52%
Beta	1.05
Adjusted Beta	1.03
Shares outstanding	0.95bn
Market cap [NGN]	225.89bn
Financial year end	December



						Min	319.89
						Max	327.43
						EPS	
	323.65	24.44	24.49	24.54	24.59	24.64	
Target PE	13.09x	319.89	320.54	321.19	321.85	322.50	
	13.14x	321.11	321.76	322.42	323.08	323.74	
	13.19x	322.33	322.99	323.65	324.31	324.97	
	13.24x	323.55	324.21	324.88	325.54	326.20	
	13.29x	324.77	325.44	326.10	326.77	327.43	

Recommendation: BUY TP: 323.65 CP: 236.80 UPP: +36.69%

Financial Highlight (NGN'bn)

Profit and Loss Account	9M:2023	9M:2022	Y/Y Growth
Revenue	60.65	50.18	+20.86%
Cost of Sales	18.96	14.41	+31.57%
Operating Expense	14.87	10.67	+39.36%
Operating Profit	26.87	25.10	+6.85%
Finance Cost	2.08	0.54	+287.94%
PBT	29.23	24.62	+18.71%
PAT	20.92	18.05	+15.90%

Balance Sheet	9M:2023	2022A	YTD Growth
Property, Plant and Equipment	57.76	56.47	+2.28%
Total Assets	85.03	72.50	+17.29%
Total Equity	43.51	34.03	+27.84%
Total Debt	9.53	11.20	-14.89%
Total Liabilities	41.53	38.46	+7.96%

Key Metrics

Profitability Ratio	9M:2023	2022A	3-yr Hist. Avg
ROA	23.76%	23.91%	15.14%
ROE	46.45%	50.94%	30.62%
Net Margin	34.50%	29.26%	23.60%

Efficiency Ratio	9M:2023	2022A	3-yr Hist. Avg
Asset Turnover	0.82x	0.82x	0.61x

Liquidity Ratio	9M:2023	2022A	3-yr Hist. Avg
Current Ratio	0.90x	0.61x	1.36x
Quick Ratio	0.58x	0.38x	0.92x
Cash Ratio	0.41x	0.23x	0.64x

Solvency Ratio	9M:2023	2022A	3-yr Hist. Avg
Interest Coverage	12.88x	11.04x	17.69x
Debt to Equity	0.22x	0.33x	0.27x
Debt to Asset	0.11x	0.15x	0.14x

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BUY: Target Price of the stock is above the current market price by at least 10 percent

HOLD: Target Price of the stock ranges between -10 percent and 10 percent from the current market price.

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Movements in Price Target

Company Name: PRESCO Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
02-Nov-2023	190.00	202.07	202.07	BUY	HOLD

Company Name: OKOMU OIL PALM Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
02-Nov-2023	236.80	194.96	323.65	BUY	BUY

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Company	Disclosure
PRESCO Plc	
OKOMU OIL Plc	

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